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May 30, 2003

Sent Via U.S. Mail and Facsimile

Robert L. Schuchard, Esq.
Sonnenschein, Nath & Rosenthal
601 South Figueroa Street, Suite 1500
Los Angeles, California 90017

RE: USC - Kenneth Norris Cancer Center

Dear Mr. Schuchard:

The Attorney General hereby consents, pursuant to Corporations Code section 5915, to the sale of the assets of the University of Southern California-Kenneth Norris Jr. Cancer Hospital (USC Norris) to Tenet HealthSystem, Norris, Inc., a subsidiary of Tenet Healthcare Corporation (Tenet) as set forth in the written notice dated October 4, 2002. The Attorney General's consent is subject to the attached conditions, which are incorporated by reference herein.

Corporations Code section 5917 and section 999.5, subdivision (f) of Title 11 of the California Code of Regulations set forth factors that the Attorney General must consider in determining whether to consent to a transaction between a nonprofit corporation and a for-profit entity. The Attorney General has reached the following conclusions regarding these factors:

- (1) The terms and conditions of the transaction are fair and reasonable to USC Norris.
- (2) The transaction will not result in private inurement to any private person or entity. None of the officers or directors of USC Norris have a material financial interest in the transaction.
- (3) The value of the consideration that USC Norris will receive from Tenet for its assets is within the range of the fair market value of those assets.
- (4) The parties to the transaction have not manipulated the market value of the USC Norris assets in a manner that causes the value of the assets to decrease.

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(5) The proposed use of the transaction proceeds, as conditioned, is consistent with the charitable trust obligations of USC Norris. The transaction does not involve any breach of trust.

(6) The transaction, as conditioned, will not have any immediate adverse effect on the availability and accessibility of health care services to the affected community.

(7) The transaction, as conditioned, will not have a significant anti-competitive effect on healthcare services in the relevant geographic market.

(8) Sufficient information has been provided to the Attorney General for an adequate evaluation of the transaction and its effects on the public.

(9) The transaction, as conditioned, is in the public interest.

Thank you for your cooperation and that of your client and the purchaser throughout the review process.

Sincerely,

MARK J. URBAN
Deputy Attorney General

For BILL LOCKYER
Attorney General

MJU:mb

Attachment

USC Norris Cancer Hospital Conditions

For the purposes of these conditions and unless the context indicates otherwise, the term "Tenet" shall include Tenet Healthcare Corporation, Tenet HealthSystem Norris, Inc., USC University Hospital, Inc., and any other subsidiary of Tenet Healthcare Corporation associated in any way with the ownership or operation of USC Norris Hospital or USC University Hospital.

For the purposes of these conditions and unless the context indicates otherwise, the term "USC" shall include the University of Southern California, the Keck School of Medicine, and the USC Norris Cancer Center.

For the purposes of these conditions and unless the context indicates otherwise, the term "Transition Period" shall be the period between the closing of the proposed transaction and the transfer of acute care services and patients from USC Norris Hospital to the new USC University tower.

I.

The transaction between Tenet and USC approved by the Attorney General consists of the Asset Purchase Agreement, the Cancer Center Support Agreement, the Norris Agreement, the Lease Agreement, the License Agreement and the Indemnification Escrow Agreement, all as filed with the Attorney General. Tenet and USC shall fulfill the terms and conditions of the transaction. Tenet and USC shall notify the Attorney General in writing of any proposed modification of the transaction, including a proposed modification or rescission of any of the agreements. Such notification shall be provided at least 30 days prior to such modification taking effect to allow the Attorney General to consider whether the proposed modification affects the factors set forth in Corporations Code section 5917.

II.

The agreements set forth a procedure for the termination or material reduction of any "core programs and services" of USC Norris Hospital after the Transition Period. "Core programs and services" shall include, but not be limited to, anatomic and surgical pathology, bone marrow transplantation, breast cancer, gastro-intestinal cancers, dermatology and melanoma, genetic testing and counseling, gynecologic oncology, hematology, lung cancer, medical oncology, neuro-oncology, plastic and reconstructive surgery, orthopedic oncology, otolaryngology, radiation oncology and urologic oncology.

III.

During the Transition Period, Tenet shall provide at USC Norris Hospital at least \$525,000 in charity care costs (not charges) for each year from the date of closing (Annual Period). After the Transition Period and until seven years after the date of closing, Tenet shall provide at the consolidated USC University Hospital/USC Norris Hospital at least \$825,000 in annual charity care costs. Tenet's charity care cost obligation shall be prorated during the Annual Period in which the Transition Period ends.

Each of the two charity care cost figures shall be inflated at the end of the Annual Period at the "All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area" (CPI-LA, as published by the U.S. Bureau of Labor Statistics). The definition and methodology for calculating "charity care" and the method for calculating cost shall be the same as that used by the Office of Statewide Health Planning and Development.

If the minimum charity care cost level is not met during an Annual Period, Tenet shall pay the difference between actual charity care costs and the minimum required charity cost to the foundation established under Condition V. Such payment shall be made within six months of the close of the Annual Period.

This condition shall be in addition to the requirements set forth in section 13.13 (Maintenance of Charity and Indigent Care Policies) of the Asset Purchase Agreement, dated September 30, 2002.

IV.

In operating USC Norris Hospital during and after the Transition Period and its cancer programs in the new USC University tower after the Transition Period, Tenet shall adopt policies facilitating physician, nurse and other employee and staff input into healthcare quality and staffing level concerns without fear of retaliation.

V.

USC shall establish a foundation incorporated as a nonprofit public benefit corporation that has the following charitable purposes:

(1) Funding inpatient and outpatient cancer care, including cancer diagnosis and treatment, provided by nonprofit or public entities located in Los Angeles County, including USC, USC Norris Cancer Center and their nonprofit affiliates.

(2) Funding of clinical, therapeutic, specimen, and prevention research trials (including the development of such trials) that provide cancer care, including diagnosis and treatment, to patients.

All of the net proceeds of the sale received by USC Norris Cancer Hospital Corporation shall be used to fund the foundation. The foundation may make such expenditures as necessary to carry out its charitable purposes, including but not limited to the costs of physicians, research nurses and allied health professionals that provide or manage treatment to cancer patients; the costs of collectors of patient data; related administrative expenses; costs to manufacture or purchase compounds used to treat cancer patients; and the related portion of the costs of equipment and software. No foundation funds shall be paid, directly or indirectly, to Tenet or its affiliates, or to any hospital or clinics owned or operated by Tenet, including but not limited to USC Norris Hospital and USC University Hospital.

USC shall be the sole corporate member of the foundation. Except for the USC Norris Cancer Center Director and the Dean of the Keck School of Medicine, no member of the governing board of either USC Norris Hospital (after the date of closing) or USC University Hospital, and no officer, director, or employee of Tenet or any of its affiliates shall be a member of the board of the foundation. The foundation shall have a diversity of interests represented on its board, and at least two board members shall not be associated with USC, USC Norris Cancer Center or the Keck School of Medicine.

USC shall submit a petition to the Los Angeles County Superior Court for approval of the charitable purposes of the foundation as successor-in-interest to USC Norris Cancer Hospital Corporation and for approval of the foundation articles of incorporation. Such petition shall not be submitted without prior review and approval by the Attorney General of the articles of incorporation. Any modification in the foundation's articles of incorporation shall require Attorney General consent and court approval.

The foundation shall submit each year to the Attorney General a copy of its annual report and its IRS Form 990 filing.

VI.

For 10 years from the date of closing, Tenet, in its operation of USC Norris Hospital during the Transition Period and the cancer programs in the new USC University tower after the Transition Period, shall provide an annual minimum of \$500,000 for those categories of community benefit programs that are identified on page 43 and Exhibit 15 of the Lewin Group Report dated March 1, 2003.

VII.

Within 120 days of the end of each year from the date of closing, Tenet shall submit to the Attorney General a report describing in detail its compliance with each condition set forth herein. The chief executive officer of Tenet Healthcare Corporation shall certify that the report is true and correct. The report shall include a letter from the director of the USC Norris Cancer Center setting forth his or her opinion regarding Tenet's compliance.

VIII.

In operating USC Norris Hospital both during and after the Transition Period and its cancer programs in the new USC University tower after the Transition Period, Tenet shall fully comply with any nurse-patient ratios established by law, including but not limited to any such ratios that may hereafter be adopted by the Department of Health Services.

IX.

The covenant not to compete set forth in paragraph 13.11 of the Asset Purchase Agreement and in paragraph 2 of the Norris Agreement shall be modified to reduce its term from seven years to five years.

X.

At the request of the Attorney General, Tenet and USC shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these terms and conditions of the sale of USC Norris Hospital to Tenet as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret, is privileged under state or federal law, or if the public interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

XI.

The Attorney General reserves the right to enforce each and every condition set forth herein to the fullest extent provided by law.